

THRU : Chief, E
Chief, D/S
Chief, S/OM

6 November 1957

Submission of ORR 41.1993, "Dissatisfactions Within CEMA"

1. In accordance with PAM of 21 August 1957, this project is being submitted through channels to the requestor.

2. The project is directed at uncovering and highlighting Satellite dissatisfactions within the coordinated economic system. Consequently, the project is not in any way a balanced evaluation of Bloc economic coordination.

3. The paucity of information available on question three of the requestor's statement of objectives (identification of individuals involved in the dissatisfactions) precluded its treatment in this study.

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USE ONLY

CONFIDENTIAL

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2001/04/17 : CIA-RDP79T01049A001700450002-2

ROUTING AND RECORD SHEET

SUBJECT: (Optional)

FROM:

RQM/OIS

NO.

K-5079

DATE

14 August 1957

TO: (Officer designation, room number, and building)

DATE

RECEIVED

FORWARDED

OFFICER'S
INITIALS

COMMENTS (Number each comment to show from whom to whom. Draw a line across column after each comment.)

1.

AD/RR

8/16/57

OED

2.

ST/C

8/19/57

822/57

EAB

3.

ST/PR

21 Aug

21 Aug

Rnt

3a.

Ch/E

4.

D/S

5.

ST/PR

15 Nov

15 Nov

J.T.

6.

ST/C

7.

8.

9.

10.

11.

12.

13.

14.

15.

Ind. due date 7-11

due 5/5 21-11

FORM
1 DEC 56

610

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41.1993

IP 575

14 August 1957

MEMORANDUM FOR: Assistant Director for Research and Reports

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SUBJECT : Analysis of Dissatisfactions within CEMA

REFERENCE :

1. In recent months, intelligence reports have contained evidences of dissatisfaction among members of Satellite delegations to CEMA. This dissatisfaction has been largely due to unwieldy CEMA administration, unrealistic or inequitable quota assignments, and Soviet competition in markets outside the Bloc.

2. Inasmuch as a compilation and analysis of such evidences would be of considerable value to the Clandestine Services, it is requested that such a study be prepared by your office. As discussed with the Services Division by [REDACTED] of CS, it would be particularly useful if the study could include:

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- a. reasons for dissatisfaction within CEMA.
- b. specific instances in which dissatisfaction has been expressed.
- c. identification, where possible, of the individuals involved.

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3. Any questions pertaining to this request may be directed to [REDACTED] on extension 8641.

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copy
Orig. & 1 to DC/P
1 to AS
1 to PP
1 to S/S

1 AUG 1957

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Office Memorandum • UNITED STATES GOVERNMENT

DATE: 6 November 1957

TO : Chief, E
THRU : Chief, D/S *WS*
FROM : Chief, S/OM

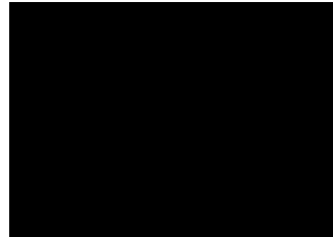
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6 November 1957

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Dissatisfactions within CEMA

ORR 41.1993

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 S/OM

K 2822

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Preface

This report describes some of the dissatisfactions within the Soviet Bloc's Council for Mutual Economic Assistance (CEMA). It is not a balanced evaluation of economic coordination moves in the Soviet Bloc, because it deals only with the weaknesses, not with the strengths and successes of the system.

I. Introduction

Dissatisfactions within CEMA have occurred from time to time since its origin and continue intermittently to the present.* They include chiefly planning and trade problems, although financial, administrative, and even personnel discontents have occasionally been noticeable. Dissatisfaction with the CEMA system has existed not only in Satellite countries, but also within China (which is not a formal member of the organization), and within the Soviet government itself.

The leading cause of dissatisfaction among CEMA members comes from the demands made by the organization on the countries involved. Because CEMA requires its members sometimes to disregard their own economic interests, nationalist sentiment has frequently arisen to combat the CEMA program. What may be advantageous for the Bloc (in Soviet eyes), may not be advantageous for the individual members. Consequently, there are examples of failure to abide by CEMA directives in production planning, reluctance to freely trade certain critical commodities, and price competition over non-Bloc markets.

The Soviet leaders, however, have persistently moved to combat Satellite recalcitrance in accepting economic coordination and integration. They have not always been successful, but they have forced Satellite officials to overcome some resistance to the CEMA system.

II. Administrative Controls

CEMA members have shown reluctance to accept the administrative controls imposed on them by CEMA and by the USSR. In 1953, China complained to Poland that

* CEMA is ostensibly an international organization formed by the USSR and the East European Satellites. For practical purposes, it is a Soviet instrument for coordinating and integrating the economies of the Soviet Bloc.

it did not like Soviet intervention in Sino-Polish trade negotiations. The Poles replied that they were compelled to co-ordinate all exports with CEMA and admitted this meant, in fact, coordination with the USSR.

Overbureaucratization has stifled the work of the CEMA Iron and Steel Committee and its sub-committees. Eventually, Satellite members of the Committee were forced to negotiate among themselves without informing the Russians, simply because of the deadening effect on all productive activity on the part of the Committee's secretariat and the Chairman's office. The Russians finally called for suggestions from the Satellite delegations on how to eliminate the Committee's bureaucratic delays. 1/

III. Planning Dissatisfaction

Apart from simple coordination of economic plans, CEMA has as its major planning objective assigning to each member country responsibility for producing specific goods for most of if not the entire Bloc. By mid-1956 CEMA had assigned to each country the development and production of a number of such products, for example, aluminium in Hungary and coal in Poland.

Prior to 1954, CEMA forbade Hungary to produce certain textile machinery. 2/ Reportedly, Poland and Hungary had not carried out the production assignments made at the CEMA meeting of May, 1956. 3/ Another report notes that East Germany objected to CEMA assignments for constructing chemical installations in other Satellites. If that continues, East German chemical specialists believe that increasing Satellite self-sufficiency in chemicals will end East Germany's monopoly within the Bloc. 4/ After the Polish uprising of 1956, Gomulka served notice on the USSR that his country will concentrate on developing its total production process, i.e., fulfill its CEMA assignments only if they are advantageous to the Polish economy. Thus, Poland is to de-emphasize some of its concentrations

on heavy industry and place more stress on consumer goods.

Following from specialization per se, some Satellites have objected to certain imports and exports as planned by CEMA. Shortly after CEMA was organized, it forced Poland to export coal and agricultural products to East Germany ~~supposedly~~ to the detriment of Poland's economy. This later proved to be one of the causes of the Polish revolt of 1956. In early 1956 Hungary was criticized in a CEMA meeting for importing ball bearings from France and Belgium rather than from East Germany. Hungary did not promise to stop this practice, however. 5/ In 1956, Poland requested 26,000 tons of heavy steel plates, strip, and sheets from Czechoslovakia. This request was refused, reportedly causing considerable ill feeling among Polish officials.* 6/ At a full CEMA meeting in Warsaw in mid-1957, the Soviet delegate Saburov** encountered opposition from Polish, Czech and East German delegates to the effect that demands for certain products and supplies from these countries could not be met. A study commission on the problem was established. 7/ ~~Finally~~ The USSR reportedly has interfered with East German plans to export tractors to the other Satellites by attempting to dispose of surplus Soviet tractors through the CEMA agreements. The Bloc countries supposedly prefer the East German tractors. 8/

Finally, the USSR, although a member of CEMA, remains somewhat independent of the system of Bloc coordination. CEMA never rules contrary to the desires of Soviet officials, nor does it assign to the USSR production or trade plans objectionable to the latter. The position of the USSR is conspicuous in that it is not

* * Now Deputy Chairman of the USSR State Committee for Foreign Economic Relations (formerly GUES).

* CEMA was not specifically mentioned in this refusal.

IV. Competition in Trade

One of the sources of greatest dissatisfaction among members of CEMA is the persistent element of competition among member countries in trade both within and outside of the Bloc. In the fall of 1955 Poland and Czechoslovakia undercut East German bids on trade with the Near East. At a CEMA meeting in April, 1956, Czechoslovakia, Hungary, and Rumania complained of being undersold by East Germany and Poland on freight cars for Egypt. The prices offered by the East German and Poles were 20-25% lower than those of the other three Satellites. Consequently, Egypt bought the cars from East Germany and Poland. 9/ Also in 1956, Bulgaria was undercut in egg prices to Greece by Hungary and Rumania, thus forcing Bulgaria to lower her prices. In addition, East Germany lowered her price for telephone insulators to Greece to equal the Bulgarian price. The contract was given to East Germany. 10/ The Bulgarian Government intended to take these matters to CEMA. Still in the same year, Czechoslovakia lost a contract to build a bridge across the Nile because the Hungarians quoted a figure of 200,000 (Egyptian pounds) below the Czech price. 11/ Late in 1956, Soviet officials criticized East Germany for being "too liberal" in importing dairy products from Denmark and Holland in exchange for optical precision instruments. The Soviet officials stated that because East German imports and exports were too high in this connection, the latter did not fulfill its obligations to other Bloc countries. 12/ In 1957⁶ (and even Yugoslavia) Hungary, Poland and Czechoslovakia competed over the order for the Helwan bridge in Egypt. After Hungary 2004/0147-GA-BBP79T04049A001700450002-2 approved for this contract the Poles reportedly tried to convince

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the Egyptians of the inability of Hungarian industry to meet the commitment. 13/

V. Failure to Fulfill Export Commitments

A cause of frequent dissatisfaction among members of CEMA is the disruption growing out of the failure of one country to meet its coordinated export commitments. The net effect has been to upset the import-export plan of one or more other member countries.

In 1953 a Hungarian light industry plant frequently revised its plan because it did not receive raw materials from the USSR as scheduled. 14/ As of February 1955, one East German plant was overdue in deliveries of machine tools and metal goods to Czechoslovakia, Rumania, Hungary, Poland, and the USSR. 15/ In 1956 Czechoslovakia defaulted in its contracts to supply pipes and tubes to the USSR, China, and Rumania. 16/ In mid-1956 East Germany postponed the delivery of a cement factory to Bulgaria until mid-1957. The Bulgarian Foreign Minister, in vain, complained to the East German Ministry of Trade that the postponement would cause a considerable loss to the Bulgarian economy. 17/

Soviet officials also criticised East Germany in early 1957 for delivery delays of machine tools which held up plan fulfillment of other CEMA members. In reply, the East Germans stated that CEMA's decision to multiply Germany's automatic machinery construction by eight times bore no relation to the actual stock of raw material available to its industry. 18/

VI. Role of Poland in the CEMA System

The Polish uprising in October 1956 added to the dissatisfactions already existent within the CEMA system. 19/ Late in October 1956, Poland temporarily halted deliveries of coal to Czechoslovakia and East Germany. The immediate effect of this stoppage was to create confusion and partial disruption in the Czech and

EAST GERMANY
furnaces at the Furstenberg Combine in late 1956. In another iron foundry combine, five of six blast furnaces were shut down. The overall effects of these events on the East German economy were noted by the Chairman of the East German Planning Commission. He stated, "When we lack metallurgical coke, the production of rolled steel declines; when rolled steel is short, there is not enough for machine construction, building construction and transportation." The East German economic plans had to be altered to reflect the lowered production and the drop in imports and exports.

The Hungarian fuel crisis, which began prior to the Hungarian revolution, stemmed in part from the Polish failure to comply with its obligation to deliver coal and coke. It is also reported that, starting in 1957, the Poles withheld coal from Hungary until the latter fulfilled all export obligations to Poland.

The long-range effects of the Polish uprising (in so far as they can be determined), have been to partially dislocate and retard Bloc economic coordination. Poland has achieved more independence with ⁱⁿ the CEMA system. Reportedly, Poland has informed the Soviets--at least by indirection--that CEMA decisions and assignments will have no force and effect on Poland without that country's specific approval. Although Poland will remain a part of CEMA and will continue frequently to cooperate with other member countries, her participation in Bloc economic coordination can be expected to be less and less in the future.

